

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 STR-04 CEA-01 IO-10 /064 W

----- 047224

R 240600Z JUL 75

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 9379

INFO AMCONSUL MEDAN

AMCONSUL SURABAYA

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EO 11652: NA

TAGS: EFIN, BEXP, ID

SUBJECT: GOI COMMENTS ON EXIM RELATIONSHIP

REF: JAKARTA 8889

PLEASE PASS EXIM FOR BOARD MEMBER CLARK, V.P. HOUSTON
AND LOAN OFFICER CLAPP

1. SUMMARY: DURING CALL BY EMBOFFS JULY 18, GOI DIRGEN
MONETARY AFFAIRS, JULIANTO, REPORTED THAT SOME MEMBERS OF
GOI DELEGATION TO IMF/IBRD MEETINGS SEPTEMBER 1-5 WOULD BE
CALLING ON EXIM REGARDING FINANCING FOR NEW PROJECTS DURING
US FY 1976. JULIANTO ALSO ASKED IF EXIM COULD PROVIDE
EXPRESSION OF WILLINGNESS TO CONSIDER FINANCING FOR GOI
PROJECTS FOR WHICH U.S. FIRMS WERE SEEKING CONTRACTS.
JULIANTO ALSO TOOK OCCASION TO COMMENT ON LESS FAVORABLE
EXIM TERMS IN COMPARISON TERMS OTHER EXPORT CREDIT AGENCIES.
ACTION REQUESTED: EXIM VIEWS ON SUGGESTED "LETTER OF
INTEREST." END SUMMARY.

2. DURING JULY 18 EMBOFF CALL ON JULIANTO, DIRGEN MONETARY
AFFAIRS GOI MINFIN (REFTEL), CONFIRMED THAT SOME MEMBERS OF
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GOI DELEGATION TO IMR-IBRD WASHINGTON MEETINGS SEPTEMBER 1-5

WOULD BE SEEKING MEETINGS WITH US EXIMBANK. PURPOSE OF SUCH MEETINGS WILL BE TO SEEK EXIM'S VIEWS ON ITS WILLINGNESS TO CONSIDER LOAN APPLICATIONS FOR ADDITIONAL PROJECTS AND PROGRAMS IN US FY 1976. HE DID NOT SPECIFY WHAT THE PROJECTS AND/OR PROGRAMS MIGHT BE.

3. WITH RESPECT PRESENT PROJECTS JULIANTO ACKNOWLEDGED THAT GOI LACK OF INTERNAL COORDINATION WAS SIGNIFICANT FACTOR IN DELAYING IMPLEMENTATION OF EXIM APPROVED CREDITS. (EMBASSY HAS BEEN IN CLOSE CONTACT WITH LOCAL REPS AND U.S. PERSONNEL REGARDING G.E. GAS TURBINES FOR JAKARTA POWER, ELLICOTT SUCTION DREDGERS FOR TIDAL LANDS, CATERPILLAR FOR HIGHWAY AND OTHER PROJECTS, AND EQUITABLE ON TUGS FOR SEA COMMUNICATIONS IN PARTICULAR -- AND IS CONSEQUENTLY AWARE PROTRACTED NEGOTIATIONS ON PRICE, TERMS, CONDITIONS, ETC., FRUSTRATING THESE U.S. SUPPLIERS.) JULIANTO SINGLED OUT EQUITABLE TUGBOAT CONTRACT AS VIOLATION OF GOI PROCEDURES IN THAT THE CONTRACT SIGNED BETWEEN EQUITABLE AND DEPARTMENT OF COMMUNICATIONS PRIOR TO REVIEW OF EQUITABLE PROPOSED CONTRACT BY GOI FINANCIAL AGENCIES (DEPARTMENT OF FINANCE, BANK OF INDONESIA AND BAPPENAS).

4. JULIANTO ALSO COMMENTED ABOUT PROJECTS FOR WHICH GOI WOULD LIKE EVIDENCE OF EXIM BANK INTEREST BEFORE CONSIDERING U.S. FIRM'S OFFER AS IN CASE OF SUGAR MILLS AND CEMENT PLANTS WHICH GOI HAS ON ITS LIST OF PROJECTS FOR IMPLEMENTATION. JULIANTO SUGGESTED INSTEAD OF GOI HAVING TO FIRST FILE APPLICATION THAT EXIM INSTEAD GIVE "LETTER OF INTEREST" TO U.S. BIDDER INDICATING EXIM INTEREST AND WILLINGNESS ACTIVELY CONSIDER GOI APPLICATION FOR FINANCING SHOULD U.S. FIRM WIN CONTRACT. EMBASSY CONSIDERS THIS SUGGESTION GOOD SOLUTION TO OTHERWISE THORNY PROCEDURAL PROBLEM WHICH THREATENS, AS JULIANTO SUGGESTED, TO RESTRICT USE OF FUTURE EXIM CREDITS TO THOSE AREAS WHERE INCREMENTAL U.S. EXPORT PAYOFF IS LEAST BECAUSE U.S. HAS NO RPT NO EFFECTIVE COMPETITION. THIS PROPOSAL WOULD PROVIDE SOMETHING LESS FORMAL THAT P.C. BUT WOULD INDICATE SPECIFIC WILLINGNESS BY EXIM TO CONSIDER GOI APPLICATION FOR PROJECT INVOLVED.

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5. IN COURSE CONVERSATION, JULIANTO SAID THAT IN GENERAL GOI WOULD ONLY SEEK EXIM FINANCING FOR EQUIPMENT WHICH FOR REASONS OF TECHNOLOGY OR QUALITY COULD NOT BE ACQUIRED ELSEWHERE AND SPECIFIED LARGE PASSENGER AIRCRAFT AND SOME TELECOMMUNICATIONS EQUIPMENT AS EXAMPLES. HE ECHOED VIEWS OF OTHER INDONESIANS SUCH AS SALEH AFFIF THAT EXIM BANK FINANCING TERMS AND PROCEDURES LESS FAVORABLE THAN

THOSE OF OTHER EXPORT CREDIT AGENCIES. HE MENTIONED THAT "EXIM WILL ONLY FINANCE FORTY PERCENT" OF U.S. EXPORTS INVOLVED IN PROJECT IN CONTRAST TO OTHER EXPORT CREDIT AGENCIES' (ECA) WILLINGNESS TO "FINANCE UP TO EIGHTY-FIVE PERCENT." HE WOULD NOT DIFFERENTIATE BETWEEN EXIM'S DIRECT CREDIT TO GOI OF 30-55 PERCENT AND OTHER ECA'S GUARANTEE OF UP TO 85 PERCENT SINCE OTHER ECA'S INCLUDED IN THEIR SERVICE THE ACTUAL BANKS WHICH WOULD PROVIDE FUNDS, AND IN EXIM'S PROCEDURES GOI HAD TO LOCATE BANKS WHICH WOULD BE WILLING TO PROVIDE COMMERCIAL PORTION NOT COVERED BY EXIM DIRECT CREDIT. JULIANTO ALSO SAID INTEREST RATES OFFERED BY COMPETING ECA'S AND OTHER COSTS OF MONEY (SERVICE CHARGES, COMMITMENT FEES, ETC.) WERE LOWER THAN TOTAL PACKAGE INVOLVED IN EXIM FINANCING. HE SAID INTEREST RATE CHARGED BY FRENCH BANKS WITH COFACE GUARANTEE WAS 7.5 PERCENT AND SERVICE CHARGES .035 PERCENT. FURTHERMORE, OTHER ECA'S OFFERED FIXED INTEREST RATE CONTRASTED WITH U.S. COMMERCIAL PORTION ON FLOATING RATE WITH SPREAD OVER LIBO.

6. JULIANTO ALSO NOTED THAT NEGOTIATIONS WITH U.S. BANKS WERE DIFFICULT, DRAWN OUT BY LONG DISTANCE TELEX COMMUNICATIONS TO BANKS' U.S. HEADQUARTERS AND HIGHLY TECHNICAL, AND WERE PRIMARY CAUSE OF DELAYS IN SIGNING LOAN AGREEMENTS WITH EXIM FOR CREDITS TO WHICH EXIM HAD GIVEN FORMAL APPROVAL. HE ALSO REITERATED GOI PREFERENCE FOR PRACTICE OF ECA'S OTHER THAN EXIM OF EXPRESSING THEIR INTEREST IN SPECIFIC PROJECTS OR PROGRAMS RATHER THAN THE EXIM REQUIREMENT THAT GOI PROPOSE TO EXIM PROJECTS AND TRANSACTIONS.

7. COMMENT: EMBASSY LOOKS FORWARD TO WORKING EVEN MORE CLOSELY WITH EXIMBANK PURSUANT TO CLOSING EXIM'S HONG KONG LIMITED OFFICIAL USE

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OFFICE AND, IF APPROPRIATE, WOULD APPRECIATE RECEIVING COPIES OF AGREEMENTS WITH GOI WHEN THEY ARE SIGNED. JULIANTO HAS BEGUN INCLUDING EMBASSY ON DISTRIBUTION SOME OF MINFIN'S CORRESPONDENCE, INCLUDING TELEX'S, WITH EXIM. SUCH A PROCEDURE BY EXIM, IF APPROPRIATE, WOULD ALSO BE VERY HELPFUL TO EMBASSY. EXIM'S COMMENTS ON JULIANTO'S PROPOSAL IN PARA 6 WOULD ALSO BE APPRECIATED.

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